

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: Original
POSITION: Neutral, note concerns

BILL NUMBER: SB 178
AUTHOR: S. Aanestad
RELATED BILLS: SB 553

BILL SUMMARY: State Property: Dept. of Forestry and Fire Protection

This bill would authorize the Department of General Services (DGS) to lease, sell, or exchange, at fair market value, approximately 3 acres of state-owned property in the city of Redding, currently used by the Department of Forestry and Fire Protection (Cal Fire), to facilitate the development of a new Cal Fire Unit Headquarters (UH) facility. This bill would require DGS to offer the property to the City of Redding before offering the property to other interested parties. Any proceeds from the disposition of this property would be applied to the acquisition and development of a replacement facility, subject to appropriation. The bill would also authorize DGS to enter into one or more agreements or leases for the purpose of providing a substitute location for the Shasta-Trinity Unit UH on or near the Redding Airport.

FISCAL SUMMARY

Since the terms and condition of any future sale, lease, or exchange agreement are unknown at this time, the fiscal impact of this transaction cannot be determined. To the extent the existing state property is exchanged for a new site, it is likely that the value of the existing site will be insufficient to cover the costs of constructing or leasing a new facility.

Under the provisions of Proposition 60A of November 2004, the proceeds of the sale of surplus property must be used to pay the holders of the state's Economic Recovery Bonds; however, this bill explicitly states that its provisions do not constitute a sale or other disposition of surplus property. To the extent this property could be used to offset the costs of a replacement facility, this bill would reduce state acquisition and development costs, which would otherwise be paid by the General Fund.

The DGS estimates that a suitable replacement site (approximately 10 acres) would cost between \$2.5 and \$3.5 million, which is roughly the same value as the existing state property.

COMMENTS

The Department of Finance is neutral on this bill but notes two concerns:

- The state may receive a lower return on the sale of the specified property because the bill fails to clarify that the property should be valued at "the highest and best use," as if fully entitled. Without this clarification the property may receive a lower appraisal value (i.e. current use), thereby generating less revenue for a replacement facility.
- By granting the City of Redding the right of first refusal, this bill could preclude the possibility of receiving a higher return on the sale by offering the property to all interested parties through a competitive bid process. There have been instances when properties have sold for more than the appraised value when offered to multiple interested parties.

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Analyst/Principal (0651) B. Dewey	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

S. Aanestad

Original

SB 178

Governor Schwarzenegger vetoed previous legislation related to this bill during the 2007-08 regular session, namely Senate Bill 553. The Governor vetoed the bill because it would have resulted in costly and unnecessary steps related to the surplus property process. This bill specifies that this transaction is not subject to the surplus property laws and, therefore, alleviates the previous concerns related to the surplus property process.

SB 553 of 2007 contains many of the same provisions as this bill with two noted exceptions:

- Requires Finance review and approval of the terms and conditions of any disposition agreement.
- Authorizes DGS to enter into a lease or other agreement for the purpose of providing a substitute location for the UH.

Although this bill does not specifically require approval from the State Public Works Board (SPWB), it does require the review and approval of Finance. Property Acquisition Law would require the SPWB approval before the DGS could acquire title to any land offered in exchange for the state's property, which would allow full review of the terms of the transaction. SPWB approval will be required by Finance.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
3540/Forest&Fire	CO	No	-----	No/Minor	Fiscal Impact	-----			0001